

Elizabeth Butson  
GIBBONS, VOYER & ASSOCIATES, INC.  
Advertising

September 25, 1990

Mr. Alejandro Lopez  
Marketing Research Department  
PHILIP MORRIS USA  
120 Park Avenue  
New York, NY 10017

Subject: SUBSTANTIATION OF LOW TAR SALES PERFORMANCE CHART

Dear Alejandro:

The purpose for this letter is to respond to your inquiry on the Low Tar Chart, which was part of our presentation "New Brand Opportunities in the Cigarette Industry" originally presented to Elizabeth Butson on August 7th. Recently, you called Steve Voyer regarding this chart and subsequently we had two brief telephone conversations on this subject.

We have gone back and reviewed the chart in question and the Maxwell Report, which supports the information that was presented.

MAXWELL REPORT

As the attached report shows (which is highlighted), the Low Tar Category declined from 56.1% SOM in 1988 to 54.7% in 1989, this represents a -1.4% share points loss. The decline was for all companies except Philip Morris, which showed a +1.7% share point in growth.

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CONTINUOUS NATIONAL TRACKING STUDY

The chart you sent us from the Continuous National Tracking Study shows an INCREASE in the base of low tar smokers (12,800 vs. 12,580). This translates to a growth of 53.3% share vs. 52.3% or a gain of +1.0 share point. We believe that the basic difference between the Maxwell Report and the Tracking Study is that the definition of Low Tar is not the same.

LOW TAR SEGMENT

<u>Definitions</u>	<u>Maxwell</u>	<u>Definitions</u>	<u>CNTS</u>
Ultra	0-6 mg.	Ultra	1-6 mg.
Low	7-15 mg.	Mid	7-12 mg.

The Maxwell numbers include sales for 13-15 mg. in the 7-15 mg. definition, while the CNTS defines the segment as cigarettes containing only up to 12 mg. of tar (7-12 mg.). This additional difference affects Maxwell's Low Tar segment negatively, as the 13-15 mg. is declining.

Alejandro, we hope this clears up the discrepancy between the two reports. We will be closely monitoring this segment in the future and will look for any additional changes. Please call us if you have any questions or wish to discuss further.

Sincerely,



Walter J. Balan  
Senior Vice President  
& Management Supervisor

WJB/kd  
cc: E. Butson

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